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Regulation J: Compliance Guide ▾

[Regulation J: Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers through Fedwire](#) 12 CFR 210

This description should not be interpreted as a comprehensive statement of the regulation. Rather, it is intended to give a broad overview of the regulation's requirements. The full regulation is available on the Government Printing Office web site.

Last update: August 2, 2013

Regulation J provides the legal framework for depository institutions to collect checks and other items and to settle balances through the Federal Reserve System. The regulation specifies terms and conditions under which Federal Reserve Banks will receive items for collection from and present items to depository institutions. In conjunction with Regulation CC, Regulation J establishes rules under which depository institutions may return unpaid checks through Reserve Banks. The regulation also specifies terms and conditions under which Reserve Banks will receive and deliver transfers of funds over Fedwire, the Federal Reserve's wire transfer system, from and to depository institutions.

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Regulation J is supplemented by operating circulars issued by the Reserve Banks, which detail more specific terms and conditions under which Reserve Banks will handle checks and other cash items, noncash items, and wire transfers of funds.

A general description of the regulation, by section, follows.

Subpart A: Collection of Checks and Other Items by Federal Reserve Banks

Section 210.1 Authority, purpose, and scope

Subpart A governs the collection of checks and other items and the handling of returned checks by Reserve Banks. It provides the rules for collecting and returning items and settling balances.

Section 210.2 Definitions

Defines key terms used in subpart A.

Section 210.3 General provisions

Provides that Reserve Banks shall receive and handle items, including foreign items and those of the U.S. government, in accordance with Regulation J and shall issue circulars governing the details of their handling of such items. Regulation J, along with subpart C of Regulation CC and the Reserve Bank circulars, is binding on every party interested in an item handled by any Reserve Bank.

Section 210.4 Sending items to Reserve Banks

States that a non-Reserve Bank sender may send any item to any Reserve Bank. Identifies parties that are deemed to have handled an item and describes the order in which an item is handled for purposes of determining the relationships and rights of the parties under Regulation J, Regulation CC, and the Uniform Commercial Code.

Section 210.5 Sender's agreement; recovery by Reserve Bank

Provides that the sender, by sending an item to a Reserve Bank, makes authorizations, warranties, and indemnifications that are described in this section. Also describes how and when a Reserve Bank can recover losses and other expenses from the sender based on those warranties and indemnifications.

Section 210.6 Status, warranties, and liability of Reserve Bank

States that a Reserve Bank that handles an item acts as the agent of the owner of the item. Also sets out the warranties given by a Reserve Bank that handles an item and describes the limitations on a Reserve Bank's liability when handling an item.

Section 210.7 Presenting items for payment

Describes the circumstances under which a Reserve Bank may present an item for payment.

Section 210.8 Presenting noncash items for acceptance

Describes the circumstances under which a Reserve Bank may present a noncash item for acceptance.

Section 210.9 Settlement and payment

Describes how a paying bank settles for an item presented by a Reserve Bank. Also gives details regarding the settlement of both cash and noncash items, including timing and manner of settlement and limitations on Reserve Bank liability.

Section 210.10 Time schedule and availability of credits for cash items and returned checks

Requires each Reserve Bank to publish an availability schedule for credits for the cash items and returned checks it receives.

Section 210.11 Availability of proceeds of noncash items; time schedule

States that a Reserve Bank shall give credit to the sender for the proceeds of a noncash item when it receives payment in actually and finally collected funds or in accordance with its published availability schedule for noncash items.

Section 210.12 Return of cash items and handling of returned checks

Describes the terms under which Reserve Banks will handle returned checks. Sets out authorizations and warranties by both sending institutions and Reserve Banks and describes how and when a Reserve Bank can recover losses and other expenses from a sender. Also sets out provisions governing settlement for returned checks handled by a Reserve Bank.

Section 210.13 Unpaid items

States that if a Reserve Bank does not receive payment for an item, it shall recover the amount of the item from the sender, the prior collecting bank, the paying bank, or the returning bank from or through which the item was received.

Section 210.14 Extension of time limits

Extends the time limits for acting on an item if a bank or nonbank payor is delayed beyond applicable time limits because of circumstances beyond its control.

Section 210.15 Direct presentment of certain warrants

Describes what rules apply when a Reserve Bank presents a bill, note, or warrant to the state or political subdivision that issued it.

Subpart B: Funds Transfers through Fedwire**Section 210.25 Authority, purpose, and scope**

Subpart B sets forth rules governing funds transfers through Fedwire. This section provides that Reserve Banks issue circulars governing the details of its funds-transfer operations.

Section 210.26 Definitions

Defines key terms used in subpart B.

Section 210.27 Reliance on identifying number

States that a Reserve Bank may rely on the number in a payment order identifying the intermediary bank, the beneficiary's bank, or the beneficiary.

Section 210.28 Agreement of sender

Provides that a sender authorizes a Reserve Bank to obtain payment for the sender's payment orders by debiting the sender's account. Also describes procedures dealing with overdrafts.

Section 210.29 Agreement of receiving bank

Provides that a receiving bank receives payment from a Reserve Bank for a payment order through a credit in its account with the Reserve Bank. Also describes some of the responsibilities of off-line banks that serve as intermediaries.

Section 210.30 Payment orders

Describes procedures for the handling of payment orders by Reserve Banks as they relate to the acceptance or rejection of payment orders, the selection of intermediary banks, and the timing of execution.

Section 210.31 Payment by a Federal Reserve Bank to a receiving bank or beneficiary

Provides details regarding the timing of payments by Reserve Banks to receiving banks and beneficiaries.

Section 210.32 Federal Reserve Bank liability; payment of interest

Limits the liability of a Reserve Bank in handling a payment order. Also describes the procedures by which a Reserve Bank can pay interest as it relates to fund transfers under the Uniform Commercial Code.

Appendix A Commentary**Appendix B Article 4A, Funds transfers**

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